

STOCK TRADERS PRESS

A Corporate Communications Corp. Publication ---- All Rights Reserved

Short Term Report

October 21, 2003

Strong Buy

Silicon Graphic (NYSE) SGI \$ 1.09

Company Data

52-Week Range	\$0.64-\$1.85
Market Cap	\$ 229.5M
Shares Outstanding	210.59M
Book Value	\$-0.81
Price/Book	N/A
Average Daily Vol.	1.55M
Target Price	\$3.00
Target Percentage	175.0%



Yesterday, SGI reported fiscal 1st Quarter results which were much improved over the previous quarter which were disappointing. For the quarter the company reported a net operating loss of \$.11 per share as compared with a loss of \$.12 per share in the previous quarter.

Despite the loss, there were a number of developments, which should lead to profitability this next quarter:

- **SGI reported gross revenues of \$218 million, which were higher than anticipated (\$205 million was expected) and increased gross profit margins of 43% up from 40%. Both of these improvements were the results of improved sales of the newly introduced Altix systems.**
- **SGI management expects higher gross revenues in the area of \$240 million with gross profit margins of 44%.**
- The improved outlook is primarily due to the increasing shipments of the Altix systems especially to the commercial market; to companies such as Boeing, Honda Motor and Motorola Inc.
- The outlook for the company's Government business continues to be good. The company announced that NASA **will double** its capacity of SGI systems, which currently has a major system in place.
- While we recognize that the stock of SGI has been a disappointing performer over the past year, it appears that the fundamentals of the company have finally begun to improve.
- **We continue to view SGI as a turnaround situation and maintain our target price of \$3-\$4 per share.**

“ Due diligence is the essence of investing.”(VM)